



Glossary of Terms

Accounting System Review: The Accounting System Review (ASR) consists of a questionnaire used to assess the capability of a contractor's accounting system to handle a specific government pricing arrangement. The Sandia Contracting Representative (SCR) contacts the Contract Audit Department to request an ASR prior to award of a contract. The auditor arranges a convenient time with the contractor to perform the ASR, which usually takes about one hour and is routinely done by phone. In instances where a site visit is necessary, the auditor will schedule a mutually convenient time with the contractor.

Audit Engagement Letter: This letter is sent to the contractor by the Contract Audit Department prior to performing a postaward audit and explains the scope and objectives of the audit engagement. The letter lists the contract(s) that will be audited and asks that the contractor acknowledge (1) that contract(s) listed represent all of the contractor's auditable Sandia contracts and (2) that the contractor understands the scope and objectives of the audit engagement.

Cognizant Audit Agency: The cognizant audit agency is defined as the federal agency responsible for auditing the contractor's indirect pool(s) and base(s). If Sandia National Laboratories Contract Audit is not the cognizant audit agency, we will review the latest rates as set forth by a contractor's cognizant agency (i.e., the Defense Contract Audit Agency, Department of Health & Human Services, Office of Naval Research, or other).

Contractor Tips – Contract Records and Audit Findings: An information sheet for the contractor, which describes the types of records (supporting documentation) that the contractor might be asked to provide to the auditor during the course of an audit. Also included is a list describing some common audit findings.

Electronic Cost Claim (ECC): An Electronic Cost Claim is the document prepared and provided by the contractor to Sandia Contract Audit in preparation for an audit. It is used to compare and reconcile previously billed and paid amounts that are shown in Sandia's accounting system. It also provides the contractor with an additional opportunity to review their previous billings to ensure there have not been omissions or errors. The ECC is the basis for the statistical audit sample selections made by the auditor. These should be submitted within 90 days of a contractor's fiscal year end.

Electronic Cost Proposal: An Electronic Cost Proposal is the document prepared and provided to the Sandia Contracting Representative (SCR) by a contractor bidding on a proposed contract. The Cost Proposal contains the proposed total

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charges or costs necessary to perform the activities being considered in the proposed contract. A preaward audit may be performed based on regulations and/or at the request of the SCR.

Management Representation Letter: This letter is obtained from the highest level of the audited entity. The official who signs the Management Representation Letter is the person who, in the auditor's view, is responsible for and knowledgeable, directly or through others, about the matters in the representation letter. Written representations from management ordinarily confirm oral representations given to the auditor, indicate and document the continuing appropriateness of those representations, and reduce the possibility of misunderstanding. The letter includes representations about financial information, financial statements, internal controls, indirect rates, related party transactions, conflict of interest, and compliance with laws, regulations and contract terms and conditions. A management representation letter is required by General Accepted Auditing Standards (GAAS) and General Accepted Government Auditing Standards (GAGAS).

Postaward Audit: An audit performed by Sandia Contract Audit Department of costs incurred on a previously awarded contract. The audit can be performed while the contract is still being executed, referred to as an "interim audit" or after the contract has been fully executed, which may be referred to as a "final" or "close-out" audit. The audit consists of examining all costs incurred to ensure they are reasonable, allowable and allocable. Supporting documents including payroll records, invoices or receipts for material purchases, subcontractor agreements and billings, or other evidential matter will be reviewed by the auditor in the course of the audit. The results of the postaward audit are provided to the Sandia Contracting Representative (SCR) and the Sandia Delegated Representative (SDR).

Preaward Audit: An audit performed by the Sandia Contract Audit Department of a cost proposal submitted to the Sandia Contracting Representative (SCR) in consideration of a future contract. The audit consists of reviewing the cost proposal and performing various audit procedures to ascertain the reasonableness, allowability and allocability of the proposed costs. The results of the preaward audit are provided to the Sandia Contracting Representative (SCR) and the Sandia Delegated Representative (SDR).

SCR Tips – Preaward Audit: A preaward audit guideline provided for the Sandia Contracting Representative (SCR). Tips include what issues need to be resolved prior to requesting a preaward audit including exceptions to the contract terms and conditions and common cost proposal problems. Also provided are tips on how to submit a preaward audit request.

SDR Tips – Reviewing a Cost Reimbursable/Firm-Fixed Price Invoice: A guideline provided for the Sandia Delegated Representative (SDR) when

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reviewing invoices associated with Cost Reimbursable and/or Firm-Fixed Price invoices. Guidelines describe what the SDR might expect to see on an invoice and what the SDR might want to consider when reviewing costs or milestone payments to ensure the contractor is billing per the contract terms and conditions and applicable regulations.

[SDR Tips – Reviewing a Time & Materials/Labor Hours Invoice](#): A guideline provided for the Sandia Delegated Representative (SDR) when reviewing invoices associated with Time & Materials and/or Labor Hours invoices. Tips include what to look for in regard to labor billing rates and labor categories, travel, materials, equipment and other direct costs (ODCs) to ensure that the contractor is billing per the contract terms and conditions and applicable regulations.

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